
OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Response to Grand Jury Report “Time for Repeal of the People’s Ordinance”

On April 7, 2009 the San Diego County Grand Jury issued a report to the City Council entitled “Time for Repeal of the People’s Ordinance.” The People’s Ordinance, approved by San Diego voters in 1919 and amended in 1981 and again in 1986, requires that the City collect, transport and dispose of residential refuse at least once per week, and that no fee shall be charged for such service.

The Grand Jury Report examines the impact of the People’s Ordinance in light of current political and economic conditions, and includes three findings and two recommendations. The City Council is required to provide comments to the Presiding Judge of the San Diego Superior Court on each of the findings and recommendations made in the Grand Jury Report by July 7, 2009. The IBA has developed proposed responses on behalf of the City Council for each of the finding and recommendations presented in the Grand Jury Report.

In preparing the proposed responses, the IBA has met with the Environmental Services Department to review factual information regarding the People’s Ordinance; the budget for refuse, recycling and greenery collection; and other pertinent information. The proposed responses address the Grand Jury findings and recommendations as directly as possible based on factual information, previous Council or Committee actions, and additional IBA research.

The proposed responses to the Grand Jury findings and recommendations are presented below.

FINDINGS

For each finding in the Grand Jury Report, the City Council shall respond by either agreeing or disagreeing wholly or partially with the finding. For each finding to which the response is disagree wholly or partially, the response shall specify the portion of the finding that is disputed and include an explanation of the reasons for the disagreement.

Finding 01: The [People's] Ordinance is inequitable because it forces some residents to pay for trash services, while it provides trash services to others without an additional fee.

Proposed Response: Agree. Under the People's Ordinance, refuse from single family residences is collected by the City with no fee, while refuse from most businesses and multi-family residents must be collected by private refuse haulers, which charge service fees.

Finding 02: The total annual cost to the City for all trash and recycling services provided without a fee to San Diego residents is \$52.7 million per year.

Proposed Response: Partially Disagree. The FY 2009 budgeted cost to the City is approximately \$38 million for refuse collection, \$9 million for recyclable commodities, and \$7 million for yard waste collection, for a total of \$54 million.

Refuse collection services are funded by the General Fund, while recycling and yard waste collection is provided by the Recycling Fund. While there are no fees charged by the City for these services, the Recycling Fund is partially funded through AB 939 fees paid by private refuse haulers, which are passed on to commercial and multi-family customers. In FY 2009, AB 939 fees from private refuse haulers were budgeted at \$8 million.

Finding 3: A variable-rate pricing strategy would reduce the amount of waste going to the City's landfill and increase the amount of material being recycled.

Proposed Response: Agree. Variable-rate pricing strategies, also known as pay-as-you-throw (PAYT), create a financial incentive to reduce the amount of waste that is produced. As of 2006, over 500 communities in California utilized some form of a PAYT program¹, including cities such as San Jose, San Francisco, Sacramento and Oakland. Studies by Skumatz Economic Research Associates, a solid waste and energy consulting firm, have estimated that on average PAYT programs result in a 16-17 percent

¹ Skumatz, Lisa A., PhD. And David J. Freeman, "Pay as you Throw (PAYT) in the US: 2006 Update and Analyses", prepared for US EPA and SERA, by Skumatz Economic Research Associates, Superior CO, December 2006.

reduction in landfilled municipal waste, with 8-11 percent being diverted to recycling and yard waste programs, and another 6% decreased due to source reduction².

RECOMMENDATIONS

For each recommendation in the Grand Jury Report, the City Council shall respond that the recommendation either has been implemented, has not yet been implemented but will be implemented in the future, requires further analysis, or will not be implemented.

Recommendation 09-02: Place a measure on the ballot to repeal the [People's] Ordinance

Proposed Response: **This recommendation requires further analysis.** As part of the FY 2010 Proposed Budget, the IBA recommended that the Mayor and City Council establish a socioeconomically diverse citizen's committee with a focused charge of studying two specific revenue options to augment General Fund resources – a storm water fee and a refuse collection fee – for possible implementation in FY 2011, and make recommendations to Council no later than October 2009. Several Council members have commented that such a committee should also study ways to enhance City revenue streams through economic competitiveness.

In addition, on April 28, 2009 the City Council approved a package of fee increases designed to protect the financial health of the Recycling Fund in FY 2010. As a condition of the approval of these fee increases, the City Council directed the Environmental Services Department to initiate a "Phase II" discussion with various stakeholders in order to identify potential operating efficiencies and a more long-term, sustainable financing system for the City's solid waste management programs. It is the intention that this efficiency and financing study be completed in time to develop revised models and efficiencies in order to enable substantive agreements between the City and the various stakeholders before the City's FY 2011 budget deliberations.

Recommendation 09-03: Consider adopting a variable-rate fee schedule for trash services provided by the City once the Ordinance is repealed.

Proposed Response: **This recommendation requires further analysis.** If voters approve a ballot measure to amend or repeal the People's Ordinance, and the City moves to implement a refuse collection fee, a variable-rate fee schedule will likely be considered. However, there are many things to consider prior to establishing such a fee structure, such as the effectiveness of different types of variable-rate structures, the costs

² *Ibid.*

of implementation and administration, ease of implementation, and reliability of revenue streams.

[SIGNED]

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